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TREASURY FOR LTRAN AND MMALLOY
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PASS USTR FOR DUCKWORTH
PASS USDA FOR FAS
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER
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SUBJECT: ARGENTINA: Ambassador Discusses Farm Strike with Agricultural Producer

REF: BUENOS AIRES 0415, 0421, 0408

¶1. (SBU) Summary: Ambassador met with one of the largest soybean producers in Argentina the day after the agricultural strike was suspended for 30 days. Government supporters have responded to the agricultural strike by attacking large producers and soybean production in general. The agricultural sector is, however, much more united and organized than prior to the strike, this producer says, and, the strike could easily be resumed at the end of the current 30-day suspension. The producer also has a high profile operation to produce soybeans in Venezuela. It is not fairing well.
End Summary

¶2. (SBU) Ambassador met April 3 with Gustavo Grobocopatel, the General Manager of Los Grobo, one of the largest soybean producers in Argentina, to discuss the state of play in Argentina's agricultural sector following the suspension of the farm strike the previous day. Los Grobo is a diversified company that manages over 110,000 hectares of land in Argentina and 40,000 hectares in Uruguay and Paraguay (as well as operations in Venezuela and Brazil). Los Grobo has had excellent relations with the GoA, which has cited the company in the past as an example to follow in the area of management and technological innovation. Mr. Grobocopatel was selected as businessman of the year for 2007 by a local business magazine.

¶3. (SBU) Mr. Grobocopatel was concerned by attacks directed at him by GoA supporters during the strike that accused large "oligopolistic" producers like him of being unwilling to share "inordinate" profits they derive from exporting soybeans at current historically high international agricultural commodity prices. He said he had tried to keep a low profile during the strike, which he believed truly represented a groundswell of opposition from all parts of the rural sector to this latest increase in GoA export taxes, but he had felt compelled to speak out in defense of a sector he believes essential to Argentina's future.

¶4. (SBU) Grobocopatel noted that the strike has placed local government officials in a difficult position: while often supporters of the national government, they were under heavy pressure by their constituents to support the strike. These officials were pressing the provincial governors to seek a solution to the strike. The rural sector is now much more organized and active than any time in the past, facilitated in part by the widespread use of mobile telecommunications. New farm leaders have emerged as a result of the strike, and they appear to be much more articulate and less ideological than traditional farm leaders.

¶5. (SBU) Grobocopatel was surprised by the strong attacks against the dramatically expanded production of soybeans in Argentina, as the government justified the increase in the export tax as a means to avoid the development of a soy monoculture. The GoA accused highly efficient and technologically dependent large-scale soybean production of destroying employment and causing the problems faced by small producers. He blamed part of this criticism on a lack of knowledge of the sector by GoA officials. He called expanded soybean production a major contributor to Argentina's post-crisis economic recovery and argued that taxes on soybean exports had made it possible for the GoA to pay off its IMF debt.

¶6. (SBU) Los Grobo has been expanding in other countries in the region with very successful investments in Brazil and a high profile GoA-supported venture with the Venezuelan Government to produce soybeans in Venezuela. When asked about this venture, Grobocopatel said the operation was not going well. His business model is based on working with a network of suppliers and contractors to provide inputs and operate farm machinery under contract, but this basic network does not exist in Venezuela. Even with government support, he has found it almost impossible to operate in Venezuela.

¶7. (SBU) When asked about the future of the farm strike, Mr. Grobocopatel called the current suspension of the farm strike temporary and argued it could easily be resumed at the end of the 30-day suspension. He said farmers were anxious at this time to return to their farms and harvest their crops (the strike has delayed the harvest of corn and soybeans by two weeks). But he said farm organizations had established a coordinating committee which appears to have staying power to help farmers negotiate in a more

united way with the GoA and to resist GoA efforts to divide and conquer.

¶8. (SBU) COMMENT: The dispute between the GoA and the rural sector is currently on hold, pending negotiation which will reportedly start this week, but the strike could easily start again at the end of the 30-day suspension. It appears that large, highly efficient producers will continue to be subject to attacks by government supporters. At present, the pro-GoA truckers union is blockading a Grobocopatel plant, supposedly because workers are not being paid full benefits. While the GoA is seeking outside investment, these high-profile attacks on successful local businesses can only make this task more difficult. END COMMENT

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